

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15  
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01  
/098 W

-----051507 110849Z/15

P R 110652Z SEP 77  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC PRIORITY 4969  
INFO USMISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 14311

USMTN

PASS STR

E.O. 11652: GDS  
TAGS: ETRD, MTN, US, RP  
SUBJECT: US-RP ECONOMIC "PRE-NEGOTIATION CONSULTATIONS" -  
SEPTEMBER 6-7, 1977, MANILA

REF: MANILA 14097

1. "PRE-NEGOTIATION CONSULTATIONS" WERE HELD ON US-GOP BI-LATERAL ECONOMIC AGREEMENT IN MANILA SEPTEMBER 6-7, 1977. GOP PANEL WAS HEADED BY AMBASSADOR TWILFREDO V. VEGA, WITH AMBASSADOR PABLO SUAREZ AS CO-CHAIRMAN. US TEAM WAS LED BY DEPUTY ASSISTANT SECRETARY OF STATE ERLAND HEGINBOTHAM. ASSISTANT STR STEPHEN LANDE HEADED SUB-GROUP ON TRADE FOR US.

2. AS IN PAST SESSIONS, DISCUSSION CENTERED AROUND GOP ASSURANCES CONCERNING U.S. INVESTMENT IN THE PHILIPPINES, WAIVER OF COMPETITIVE NEED PROVISIONS FOR PHILIPPINE PRO-  
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DUCTS AND TRADE CONCESSIONS.

3. INVESTMENTS. U.S. TEAM OFFERED, AS ADDITIONAL CONCESSION, TO DROP REQUIREMENT THAT PARTIES ACCORD NON-DISCRIMINATORY TREATMENT WITH RESPECT TO THE ESTABLISHMENT OF ENTERPRISES. PHILIPPINE PANEL DID NOT REPEAT NOT SEIZE ON THIS PROPOSAL AS BASIS FOR AGREEMENT ON INVEST-

MENT ISSUE. PHILIPPINE PANEL, ALTHOUGH WISHING TO RETAIN CONCEPT OF MFN AS BASIS OF TREATMENT OF FOREIGN INVESTMENT, DID OFFER THE POSSIBILITY OF GRANTING "NON-DISCRIMINATORY TREATMENT" TO CERTAIN SECTORS OF INDUSTRY AND WITHIN THE FRAMEWORK OF EXISTING LAWS, RULES AND REGULATIONS. THE U.S. SIDE INVITED THE GOP TO COMMUNICATE THE SPECIFICS OF THIS PROPOSAL IN ORDER TO JUDGE WHETHER IT MAY PROVIDE A STARTING POINT TO RESOLVE THE IMPASSE ON INVESTMENTS. THE U.S. ALSO RUGED THAT GOP MAY EXPLORE POSSIBILITY OF PROVIDING PROTECTION OF WEAK DOMESTIC ENTERPRISES, WHICH APPEARS TO BE PRIMARY MOTIVATION OF GOP FOR WISHING TO RETAIN FLEXIBILITY IN INVESTMENT POLICY, THROUGH LAWS AND REGULATIONS WHICH IN FORM AND CONTENT ARE NOT DISCRIMINATORY.

4. GSP WAIVER: GOP SEEKS 1) ADDITIONAL ITEMS ON GSP LIST AND 2) COMPETITIVE NEED WAIVER WHICH WOULD BE NEGOTIATED IN CONTEXT OF BILATERAL ECONOMIC AGREEMENT. U.S. TEAM EXPLAINED THAT TRADE ACT AND REVIEW PROCEDURES, I.E., UNILATERAL NATURE OF GSP, PRECLUDED ANY NEGOTIATED GUARANTEES CONCERNING GSP. STR LANDE SPECIFIED THAT UNDER CURRENT CONDITIONS, WHICH COULD CHANGE, THE U.S. WOULD CONSIDER APPLYING THE WAIVER TO THOSE PHILIPPINE EXPORT ITEMS NOW EXCLUDED FROM THE BENEFITS OF GSP BY REASON OF THE 50 PERCENT COMPETITIVE-NEED LIMITATION. HOWEVER, THE U.S. COULD MAKE NO FINAL COMMITMENT ON THESE PRODUCTS UNTIL PUBLIC HEARINGS HAVE BEEN HELD AND THE RESULTS

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ANALYZED. IN ADDITION, THE WAIVER WOULD BE RECONSIDERED EACH YEAR. THE PHILIPPINE TEAM APPEARED TO GIVE WEIGHT TO THIS PROPOSAL, DESPITE TEAM'S CONCERN THAT NO GUARANTEE OF GSP COULD BE NEGOTIATED INTO THE BILATERAL AGREEMENT.

5. MFN TRADE CONCESSIONS: TRADE DISCUSSIONS WERE PRAGMATIC AND CONSTRUCTIVE. GOP TEAM FURNISHED A LIST OF 16 ITEMS FOR WHICH GOP WOULD BE WILLING TO REDUCE TARIFF RATES BY AN UNSPECIFIED AMOUNT. (IN MARCH-APRIL 1975, PHILIPPINE OFFER PROVIDED ONLY FOR BINDING LISTED TARIFFS AT EXISTING, USUALLY VERY HIGH, LEVELS). LIST WAS QUALIFIED AS "INDICATIVE" AND "NOT CLEARED AT HIGHEST LEVELS", BUT CERTAINLY UNDERLINED WILLINGNESS OF PHILIPPINE TEAM TO MOVE FORWARD. AT REQUEST OF U.S., SOYBEANS (12.01A) AND SOYBEAN MEAL (23.04A) WERE INCLUDED ON LIST. THE PHILIPPINE SIDE ALSO UNDERTOOK TO EXAMINE THE POSSIBILITY OF ADDING ADDITIONAL AGRICULTURAL ITEMS OF INTEREST TO THE U.S. THE U.S. PANEL INFORMED PHILIPPINE PANEL THAT CONFIDENTIAL CONSULTATIONS ON THE POSSIBLE EXCHANGE OF CONCESSIONS BETWEEN THE TWO SIDES MAY BE UNDERTAKEN WITHIN THE MTN FRAMEWORK IN

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/098 W

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P R 110652Z SEP 77  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC PRIORITY 4970  
INFO USMISSION GENEVA

C O N F I D E N T I A L SECTION 2 OF 2 MANILA 14311

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GENEVA. IF AN AGREEMENT IS REACHED BY THE TWO SIDES,  
THE UNITED STATES WOULD THEN BE IN A POSITION TO IMPLE-  
MENT ITS OFFER. THE PHILIPPINE PANEL EMPHASIZED THAT  
IT WOULD BE POLITICALLY DIFFICULT FOR THE PHILIPPINES  
TO GRANT CONCESSIONS TO THE UNITED STATES IN THE TROPI-  
CAL PRODUCTS GROUP WITHOUT SOME AGREEMENT AMONG ASEAN  
ON THIS MATTER. THE GOP OFFERED TO PROVIDE "BEHIND THE  
SCENE" SUPPORT FOR U.S. POSITION DURING TRADE SIDE TALKS  
WITH ASEAN TRADE REPRESENTATIVES AS PART OF UPCOMING US-  
ASEAN DIALOGUE. NEVERTHELESS, THERE WAS A CLEAR IM-  
PRESSION THAT THE PHILIPPINE PANEL MEMBERS WERE INTER-  
ESTED IN TRADE CONCESSIONS OFFERED BY U.S. AND WOULD CON-  
SIDER REASONABLE CONTRIBUTIONS IF ASEAN COULD GO ALONG  
AND SQUARE DECISION WITH G-77 POSITION.

6. COMMENT: HEAD OF U.S. PANEL SUGGESTED THAT PHILIPPINE  
REPRESENTATIVE CONCENTRATE HIS EFFORTS ON MTN TRADE CON-  
CESSIONS WHERE POSSIBILITY OF PROGRESS APPEARS MUCH GREATER  
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THAN IN AREAS OF GSP WAIVER AND PARTICULARLY INVESTMENT. VEGA APPEARED DETERMINED, HOWEVER, TO KEEP DISCUSSION WITHING CONTEXT OF ECONOMIC AGREEMENT AND TO CONTINUE TO FOCUS ON ALL THREE MAIN ISSUES. THERE SEEMS NO DOUBT THAT VEGA WANTS AN AGREEMENT AND WILL, WITHIN LIMITS, DO HIS BEST TO FIND COMMON GROUND.

7. THE THREE MAIN POINTS OF DISAGREEMENT REMAIN INTACT. IT REMAINS TO BE SEEN WHETHER SPECIFICS OF CIRCUMSCRIBED GOP DEPARTURE FROM MFN PRINCIPLE WILL COME ANYWHERE CLOSE TO MINIMUM U.S. DESIDERATA AND THERE IS NO CLEAR INDICATION THAT GOP WILL BE WILLING TO ACCEPT A PROBLEMATICAL GSP WAIVER IN RETURN FOR INVESTMENT GUARANTEE. FINALLY, WHILE SOME REQUIREMENTS MIGHT BE MADE IN CONTEXT OF BILATERAL, THERE ARE NO INDICATIONS THAT EITHER GOP OR ASEAN IS READY TO BREAK RANKS WITH G-77 AND MAKE TROPICAL PRODUCTS CONTRIBUTIONS -- NO MATTER HOW ADVANTAGEOUS. THE MOST PROMISING AVENUE OF EXPLORATION REMAINS MTN TRADE CONCESSIONS, PARTICULARLY PLYWOOD AND COCONUT OIL, WHICH SHOULD BE GIVEN CAREFUL AND SERIOUS CONSIDERATION SHOULD GSP FOLLOW UP WITH CONFIDENTIAL DISCUSSIONS IN GENEVA IN COMING WEEKS.

8. VEGA HAS ALREADY ASKED IF CONTINUATION OF NEGOTIATIONS CAN BE SCHEDULED IN OCTOBER OR NOVEMBER. BALL IS NOW IN PHILIPPINE COURT TO COME UP WITH LANGUAGE COVERING THEIR APPROACH TO INVESTMENT "NON-DISCRIMINATION." ON TRADE, U.S. SIDE PROPOSED CONTINUATION OF DISCUSSIONS IN CONFIDENTIAL TALKS IN GENEVA IN FEW WEEKS' TIME (SEE REFTEL). DECISION ON RESUMING BILATERAL ECONOMIC TALKS SHOULD AWAIT CONSIDERATION OF THESE NEW GOP INITIATIVES. NEXT OPPORTUNITY FOR INFORMAL EXCHANGE OF VIEWS BETWEEN KEY GOP OFFICIAL AND U.S. AUTHORITIES WILL ARISE WHILE CONFIDENTIAL

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FINANCE SECRETARY VIRATA IS IN WASHINGTON FOR IMF MEETING.  
END COMMENT

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## Message Attributes

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